

CITY OF CORNING, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

CITY OF CORNING, IOWA
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CITY OF CORNING, IOWA
OFFICIALS
June 30, 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Courtney Turnis	Mayor	January, 2016
Guy Brace	Council Member	January, 2018
Dick Blazek	Council Member	January, 2018
Bert Peckham	Council Member	January, 2016
Judith Butcher	Council Member	January, 2016
Wayne Moore	Council Member	January, 2016
Iona Allen	City Clerk/Treasurer	January, 2016
Andrew Zimmerman	City Attorney	January, 2016

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

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DAVID L. HANNASCH
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DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Corning, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

To the Honorable Mayor and
Members of the City Council

Opinions

Basis for Adverse Opinion on the Discretely Presented Component Unit

The financial statements do not include financial data for the City's discretely presented component unit because the Corning Municipal Utilities System reports in accordance with U.S. generally accepted accounting principles, a different financial reporting framework than the City's cash basis of accounting. Accounting principles applicable to the cash basis of accounting require the financial data for all component units be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity which include the financial data of all component units. The City has not issued such reporting entity financial statements. The amount by which this departure affects cash and cash basis net position of the aggregate discretely presented component unit has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse Opinion on the Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the City of Corning as of June 30, 2015, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Corning as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 5 to the financial statements, the City of Corning adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

To the Honorable Mayor and
Members of the City Council

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise City of Corning's basic financial statements. The supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 22 through 27, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2016 on our consideration of the City of Corning's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Corning's internal control over financial reporting and compliance.

Connelley, Ben, Kyhn & Co. P. C.

Atlantic, Iowa
March 29, 2016

CITY OF CORNING, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

As of and for the year ended June 30, 2015

		Program Receipts	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 301,496	\$ 1,592	\$ 103,377
Public works	242,329	7,240	170,011
Culture and recreation	234,217	74,952	29,590
Community and economic development	13,317	4,229	4,013
General government	123,173	3,455	12,829
Debt service	658,496	--	--
Capital projects	<u>1,500,136</u>	<u>--</u>	<u>--</u>
Total governmental activities	<u>3,073,164</u>	<u>91,468</u>	<u>319,820</u>
Business type activities:			
Sewer	511,368	501,590	--
Sanitation	<u>187,051</u>	<u>195,529</u>	<u>--</u>
Total business type activities	<u>698,419</u>	<u>697,119</u>	<u>--</u>
Total	<u>\$ 3,771,583</u>	<u>\$ 788,587</u>	<u>\$ 319,820</u>
General Receipts and Transfers:			
Property and other city tax levied for:			
General purposes			
Local option sales tax			
Unrestricted interest on investments			
Debt proceeds			
Miscellaneous			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
\$ --	\$ (196,527)	\$ --	\$ (196,527)
--	(65,078)	--	(65,078)
--	(129,675)	--	(129,675)
--	(5,075)	--	(5,075)
--	(106,889)	--	(106,889)
--	(658,496)	--	(658,496)
<u>513,389</u>	<u>(986,747)</u>	<u>--</u>	<u>(986,747)</u>
<u>513,389</u>	<u>(2,148,487)</u>	<u>--</u>	<u>(2,148,487)</u>
--	--	(9,778)	(9,778)
<u>--</u>	<u>--</u>	<u>8,478</u>	<u>8,478</u>
<u>--</u>	<u>--</u>	<u>(1,300)</u>	<u>(1,300)</u>
<u>\$ 513,389</u>	<u>(2,148,487)</u>	<u>(1,300)</u>	<u>(2,149,787)</u>
	606,824	--	606,824
	138,565	--	138,565
	6,881	3,460	10,341
	1,200,000	--	1,200,000
	<u>187,665</u>	<u>610</u>	<u>188,275</u>
	<u>2,139,935</u>	<u>4,070</u>	<u>2,144,005</u>
	(8,552)	2,770	(5,782)
	<u>1,170,772</u>	<u>490,152</u>	<u>1,660,924</u>
	<u>\$ 1,162,220</u>	<u>\$ 492,922</u>	<u>\$ 1,655,142</u>

CITY OF CORNING, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued

As of and for the year ended June 30, 2015

		<u>Program Receipts</u>
		Operating Grants, Contributions, and Restricted
	<u>Disbursements</u>	<u>Charges for</u> <u>Service</u>
		<u>Interest</u>
Cash Basis Net Position		
Restricted:		
Nonexpendable:		
Perpetual care		
Expendable:		
Streets		
Capital projects		
Debt service		
Other purposes		
Unrestricted		
Total cash basis net position		

The accompanying notes are an integral part of these statements.

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
	\$ 27,155	\$ --	\$ 27,155
	167,104	--	167,104
	845,893	--	845,893
(25,146)		18,419	(6,727)
8,168		--	8,168
<u>139,046</u>	<u>474,503</u>	<u>613,549</u>	
<u>\$ 1,162,220</u>	<u>\$ 492,922</u>	<u>\$ 1,655,142</u>	

CITY OF CORNING, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2015

	General	Special Revenue Road Use
Receipts:		
Property tax	\$ 322,655	\$ --
Local option sales tax	--	--
Licenses and permits	7,684	--
Use of money and property	35,845	78
Intergovernmental	23,845	170,011
Charges for service	31,630	--
Miscellaneous	102,599	2,518
Total receipts	<u>524,258</u>	<u>172,607</u>
Disbursements:		
Operating:		
Public safety	197,798	--
Public works	18,871	168,768
Culture and recreation	206,291	--
Community and economic development	12,824	--
General government	104,680	--
Debt service	--	--
Capital projects	--	--
Total disbursements	<u>540,464</u>	<u>168,768</u>
Excess (deficiency) of receipts over (under) disbursements	(16,206)	3,839
Other financing sources (uses):		
Debt proceeds	--	--
Transfers in	77,603	--
Transfers out	--	--
Total other financing sources (uses)	<u>77,603</u>	<u>--</u>
Net change in cash balances	61,397	3,839
Cash balances beginning of year	<u>77,649</u>	<u>163,265</u>
Cash balances end of year	<u>\$ 139,046</u>	<u>\$ 167,104</u>

(continued next page)

<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<u>Employee Benefits</u>				
\$ 208,163	\$ --	\$ 76,006	\$ 606,824	
--	--	138,565	138,565	
--	--	--	7,684	
--	4,171	--	40,094	
--	513,389	12,829	720,074	
--	--	--	31,630	
--	214,349	275	319,741	
<u>208,163</u>	<u>731,909</u>	<u>227,675</u>	<u>1,864,612</u>	
103,698	--	--	301,496	
50,920	--	3,770	242,329	
27,926	--	--	234,217	
493	--	--	13,317	
18,493	--	--	123,173	
--	545,323	113,173	658,496	
--	1,500,136	--	1,500,136	
<u>201,530</u>	<u>2,045,459</u>	<u>116,943</u>	<u>3,073,164</u>	
6,633	(1,313,550)	110,732	(1,208,552)	
--	1,200,000	--	1,200,000	
--	69,283	25,220	172,106	
--	(25,220)	(146,886)	(172,106)	
<u>--</u>	<u>1,244,063</u>	<u>(121,666)</u>	<u>1,200,000</u>	
6,633	(69,487)	(10,934)	(8,552)	
(8,528)	915,380	23,006	1,170,772	
<u>\$(1,895)</u>	<u>\$ 845,893</u>	<u>\$ 12,072</u>	<u>\$ 1,162,220</u>	

CITY OF CORNING, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES - Continued
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2015

	<u>General</u>	<u>Special Revenue</u>
		<u>Road Use</u>
Cash Basis Fund Balances		
Nonspendable - Perpetual care	\$ --	\$ --
Restricted:		
Streets	--	167,104
Capital projects	--	--
Debt service	--	--
Other purposes	--	--
Unassigned	<u>139,046</u>	<u>--</u>
Total cash basis net assets	<u>\$ 139,046</u>	<u>\$ 167,104</u>

The accompanying notes are an integral part of these statements.

<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<u>Employee Benefits</u>				
\$ --	\$ --	\$ 27,155	\$ 27,155	
--	--	--	167,104	
--	845,893	--	845,893	
--	--	(25,146)	(25,146)	
(1,895)	--	10,063	8,168	
<u>--</u>	<u>--</u>	<u>--</u>	<u>139,046</u>	
<u>\$(1,895)</u>	<u>\$ 845,893</u>	<u>\$ 12,072</u>	<u>\$ 1,162,220</u>	

CITY OF CORNING, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2015

	<u>Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Operating receipts:			
Charges for services	\$ 501,590	\$ 195,529	\$ 697,119
Total operating receipts	<u>501,590</u>	<u>195,529</u>	<u>697,119</u>
Operating disbursements:			
Business type activities	<u>267,130</u>	<u>187,051</u>	<u>454,181</u>
Total operating disbursements	<u>267,130</u>	<u>187,051</u>	<u>454,181</u>
Excess of operating receipts over operating disbursements	234,460	8,478	242,938
Non-operating receipts (disbursements):			
Interest on investments	3,460	--	3,460
Miscellaneous	610	--	610
Debt service	(171,941)	--	(171,941)
Capital projects	<u>(72,297)</u>	<u>--</u>	<u>(72,297)</u>
Net non-operating receipts (disbursements)	<u>(240,168)</u>	<u>--</u>	<u>(240,168)</u>
Excess (deficiency) of receipts over (under) disbursements	(5,708)	8,478	2,770
Cash balances beginning of year	<u>496,922</u>	<u>(6,770)</u>	<u>490,152</u>
Cash balances end of year	<u>\$ 491,214</u>	<u>\$ 1,708</u>	<u>\$ 492,922</u>
Cash Basis Fund Balances			
Restricted for debt service	\$ 18,419	\$ --	\$ 18,419
Unrestricted	<u>472,795</u>	<u>1,708</u>	<u>474,503</u>
Total cash basis fund balances	<u>\$ 491,214</u>	<u>\$ 1,708</u>	<u>\$ 492,922</u>

The accompanying notes are an integral part of these statements.

CITY OF CORNING, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Corning, Iowa is a political subdivision of the State of Iowa located in Adams County. It was first incorporated in 1871 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides sewer utility and sanitation service for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Corning has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

The financial statements do not include financial data for the Corning Municipal Utilities, a legally separate entity which should be reported as a discretely presented component unit.

Excluded Component Unit

The Corning Municipal Utilities (Utility), established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Municipal Utilities is governed by a three-member board appointed by the Mayor and approved by the City Council. The Municipal Utilities has been audited separately on a December 31, 2014 year end on an accrual basis. Complete financial statements can be obtained from the Municipal Utilities administrative office. In accordance with criteria set forth by the Government Accounting Standards Board, the Utility meets the definition of a component unit which should be discretely presented.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City, but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the Adams County Assessor's Conference Board, Adams County Emergency Management, Adams Taylor County Landfill and Southern Iowa Council of Governments Board.

The City has entered into a 28E agreement with Adams County to provide law enforcement for the City and Townships for Fire Protection. During the year ended June 30, 2015, total payments of \$300,458 were made.

CITY OF CORNING, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation

Government-wide Financial Statements

The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

CITY OF CORNING, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for the tax levy and the disbursement for the benefits.

The Capital Project Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Enterprise Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise Sanitation Fund accounts for the operation of the City's solid waste disposal.

C. Measurement Focus and Basis of Accounting

The City of Corning maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

CITY OF CORNING, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the Community and Economic Development, Debt Service and Capital Projects functions.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirement of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

CITY OF CORNING, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 - BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation debt and sewer revenue bonds are as follows:

Year Ending June 30,	General Obligation Debt		Sewer Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 155,405	\$ 28,616	\$ 144,000	\$ 24,605	\$ 299,405	\$ 53,221
2017	161,024	26,223	147,000	22,085	308,024	48,308
2018	161,665	23,211	150,000	19,513	311,665	42,724
2019	129,828	20,118	153,000	16,888	282,828	37,006
2020	65,514	16,755	156,000	14,210	221,514	30,965
2021-2025	268,294	67,439	656,000	28,998	924,294	96,437
2026-2030	133,774	42,151	--	--	133,774	42,151
2031-2035	158,756	17,043	--	--	158,756	17,043
	<u>\$ 1,234,260</u>	<u>\$ 241,556</u>	<u>\$ 1,406,000</u>	<u>\$ 126,299</u>	<u>\$ 2,640,260</u>	<u>\$ 367,855</u>

Sewer Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$3,075,000 in sewer revenue bonds issued in June, 2003. Proceeds from the bonds provided financing for the sewer treatment plant construction and improvement. The bonds are payable solely from sewer customer net receipts and are payable through 2024. Annual principal and interest payments on the bonds are expected to require less than 72% of the net receipts. The total principal and interest remaining to be paid on the bonds is \$1,532,299. For the current year, principal and interest paid and customer net receipts were \$168,073 and \$234,460, respectively.

The resolutions providing for the issuance of the sewer revenue bonds include the following provisions:

- a. The bonds will only be redeemed from the future earnings of the sewer activity and the bond holders hold a lien on the future earnings of such.
- b. Sufficient monthly transfers shall be made to a separate revenue bond sinking account for the purpose of making the next bond principal and interest payments.
- c. User rates shall be established and charged to customers of the activity at least sufficient to pay the expenses of operating and maintenance and to have a balance of net revenues equal to at least 110% of the principal and interest on the bonds falling due in the same year.

The City has established the sinking fund required by the above resolution.

CITY OF CORNING, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

CIPCO Rural Economic Development Note

In 2008, Central Iowa Power Cooperative of Cedar Rapids, Iowa (CIPCO) loaned \$300,000, under its Rural Economic Development Loan and Grant Program, to the City to provide financing for the aquatic center.

The note is a general obligation debt of the City and is to be repaid, without interest, from the local options sales tax revenues and funds available from the operations of the aquatic center. The annual payments are \$37,500 and are payable through 2018.

Adams County 28E Agreement

In 2009, the City committed to make Adams County a secondary recipient of local option sales tax revenues for the purpose of repaying Local Option Sales Tax Revenue Bonds issued by the County to provide financing for the aquatic center. The commitment is considered a general obligation debt of the City and will be repaid to the County \$25,220, at 0% interest, annually through 2023. If, at the time of the final maturity, the City did not have sufficient local option sales tax revenues to repay the obligation, it will issue a judgment bond to pay the balance due.

Fire Station Project Note

On August 15, 2014, the City issued a project note to a local bank to fund fire station construction costs. As of June 30, 2015, the principal balance was \$180,000 with interest at 0.25% - 2.28%. The note is a general obligation debt of the City and matures June 1, 2024.

USDA Fire Station Project Note

In 2015, United States Department of Agriculture (USDA) loaned \$500,000 with interest at 3.5%, to the City to provide financing for the fire station. The note is a general obligation debt of the City and matures May 14, 2035.

NOTE 4 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 69,282
	Emergency	8,321
		<u>77,603</u>
Debt Service	Capital Projects	25,220
Capital Projects	Special Revenue:	
	Local Option Sales Tax	<u>69,283</u>
		<u>\$ 172,106</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF CORNING, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

CITY OF CORNING, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - PENSION PLAN - Continued

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the City contributed 8.93% for a total rate of 14.88%.

The City's contributions to IPERS for the year ended June 30, 2015 were \$24,590.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$161,454. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.003989%, which was a decrease of 0.004048% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$11,440, \$6,152 and \$61,574 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00%
Salary increases (effective June 30, 2014)	4.00%, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50% per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

CITY OF CORNING, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - PENSION PLAN - Continued

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF CORNING, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - PENSION PLAN - Continued

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability (asset)	\$ 305,062	\$ 161,454	\$ 40,233

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

NOTE 6 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory time and sick leave payable to employees at June 30, 2015, primarily relating to the General Fund is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 11,300
Sick leave	29,400
Compensatory time	<u>3,900</u>
Total	<u>\$ 44,600</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

CITY OF CORNING, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description: The City operates a single-employer health benefit plan which provides medical and prescription drug benefits for active employees, retirees and their spouses. There are 6 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical and prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees.

Funding Policy: The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members ranges from \$866 - \$1,066 for single coverage and \$955 - \$1,777 for family coverage. For the year ended June 30, 2015, the City contributed \$7,135 and plan members eligible for benefits contributed \$580 to the plan.

NOTE 8 - RISK MANAGEMENT

The City of Corning is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees' and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 - DEFICIT FUND BALANCES

At June 30, 2015, the Employee Benefit and Debt Service Funds, had deficit balances of \$1,895 and \$25,146, respectively. The deficit in the Employee Benefit Fund and Debt Service Fund will be reduced by increasing property tax levies in subsequent years.

NOTE 10 - CONTINGENCY

The City and several other municipalities are members of a closed waste disposal facility known as Adams-Taylor County Landfill. The facility has been in its post closing monitoring stage since 1993 and must monitor for 30 years. The Code of Iowa requires the Landfill to maintain separate postclosure care accounts to accumulate resources for the payment of the costs. In addition to the Iowa Department of Natural Resources (DNR) reserve requirements, the Landfill continues to annually assess a per capita fee to each member to support the monitoring process which was \$7,521 for the City during the year ended June 30, 2015. Periodically, the Landfill's engineers estimate the post closure expense and report the estimated expense to the DNR to demonstrate financial assurance for any unfunded costs. The current study has not been completed.

CITY OF CORNING, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 11 - COMMITMENTS

The City entered into construction contracts for various construction and sewer improvements during the year ended June 30, 2015. The unpaid contract balances at June 30, 2015 total approximately \$152,000. The unpaid contract balances will be financed with the use of existing funds.

NOTE 12 - SUBSEQUENT EVENTS

The City has evaluated all subsequent events through March 29, 2016, the date the financial statements were available to be issued.

* * *

OTHER INFORMATION

CITY OF CORNING, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL
FUNDS AND PROPRIETARY FUNDS
OTHER INFORMATION

Year ended June 30, 2015

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 606,824	\$ --	\$ 606,824
Other city tax	138,565	--	138,565
Licenses and permits	7,684	--	7,684
Use of money and property	40,094	3,460	43,554
Intergovernmental	720,074	--	720,074
Charges for service	31,630	697,119	728,749
Miscellaneous	319,741	610	320,351
Total receipts	<u>1,864,612</u>	<u>701,189</u>	<u>2,565,801</u>
Disbursements:			
Public safety	301,496	--	301,496
Public works	242,329	--	242,329
Culture and recreation	234,217	--	234,217
Community and economic development	13,317	--	13,317
General government	123,173	--	123,173
Debt service	113,173	--	113,173
Capital projects	2,045,459	--	2,045,459
Business type activities	--	698,419	698,419
Total disbursements	<u>3,073,164</u>	<u>698,419</u>	<u>3,771,583</u>
Excess (deficiency) of receipts over (under) disbursements	(1,208,552)	2,770	(1,205,782)
Other financing sources (uses), net	<u>1,200,000</u>	<u>--</u>	<u>1,200,000</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(8,552)	2,770	(5,782)
Balances beginning of year	<u>1,170,772</u>	<u>490,152</u>	<u>1,660,924</u>
Balances end of year	<u>\$ 1,162,220</u>	<u>\$ 492,922</u>	<u>\$ 1,655,142</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
\$ 526,878	\$ 526,878	\$ 79,946
189,838	189,838	(51,273)
7,925	7,925	(241)
37,755	37,755	5,799
215,252	405,729	314,345
713,903	714,140	14,609
158,570	179,116	141,235
<u>1,850,121</u>	<u>2,061,381</u>	<u>504,420</u>
323,732	323,732	22,236
257,787	263,328	20,999
244,772	244,772	10,555
8,899	10,792	(2,525)
135,169	134,569	11,396
91,068	113,073	(100)
1,126,085	1,986,405	(59,054)
717,313	716,713	18,294
<u>2,904,825</u>	<u>3,793,384</u>	<u>21,801</u>
(1,054,704)	(1,732,003)	526,221
<u>227,000</u>	<u>1,085,862</u>	<u>114,138</u>
(827,704)	(646,141)	640,359
<u>829,908</u>	<u>829,908</u>	<u>831,016</u>
<u>\$ 2,204</u>	<u>\$ 183,767</u>	<u>\$ 1,471,375</u>

CITY OF CORNING, IOWA
NOTES TO OTHER INFORMATION -
BUDGETARY REPORTING

June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted included disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$888,559. The budget amendment is reflected in the final budgeted amount.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the Community and Economic Development, Debt Service and Capital Projects functions.

CITY OF CORNING, IOWA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR*

OTHER INFORMATION

City's proportion of the net pension liability	0.003989%
City's proportionate share of the net pension liability	\$ 161,454
City's covered-employee payroll:	\$ 266,391
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.61%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

CITY OF CORNING, IOWA
SCHEDULE OF CITY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 2 FISCAL YEARS

	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 24,590	\$ 23,789
Contributions in relation to the statutorily required contribution	<u>(24,590)</u>	<u>(23,789)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>
City's covered-employee payroll	\$ 275,364	\$ 266,391
Contributions as a percentage of covered-employee payroll	8.93%	8.93%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

CITY OF CORNING, IOWA
NOTES TO OTHER INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

(continued next page)

CITY OF CORNING, IOWA

NOTES TO OTHER INFORMATION - PENSION LIABILITY - Continued

YEAR ENDED JUNE 30, 2015

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

* * *

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

CITY OF CORNING, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2015

	Special Revenue		
	Emergency	Local Option Sales Tax	Community Disaster Grant
Receipts:			
Property tax	\$ 8,525	\$ --	\$ --
Local option sales tax	--	138,565	--
Intergovernmental	--	--	--
Miscellaneous	--	--	--
Total receipts	<u>8,525</u>	<u>138,565</u>	<u>--</u>
Disbursements:			
Operating:			
Public works	--	--	--
Debt service	--	--	--
Total disbursements	<u>--</u>	<u>--</u>	<u>--</u>
Excess (deficiency) of receipts over (under) disbursements	8,525	138,565	--
Other financing sources (uses):			
Transfers in	--	--	--
Transfers out	(8,321)	(138,565)	--
Total other financing sources (uses)	<u>(8,321)</u>	<u>(138,565)</u>	<u>--</u>
Net change in cash balances	204	--	--
Cash balances beginning of year	<u>384</u>	<u>--</u>	<u>416</u>
Cash balances end of year	<u>\$ 588</u>	<u>\$ --</u>	<u>\$ 416</u>
Cash Basis Fund Balances			
Nonspendable - Perpetual care	\$ --	\$ --	\$ --
Restricted			
Debt service	--	--	--
Other purposes	<u>588</u>	<u>--</u>	<u>416</u>
Total cash basis fund balances	<u>\$ 588</u>	<u>\$ --</u>	<u>\$ 416</u>

See accompanying independent auditor's report.

<u>Special Revenue</u>		<u>Permanent Cemetery Perpetual Care</u>		<u>Total</u>
<u>FEMA Projects</u>	<u>Debt Service</u>			
\$ --	\$ 67,481	\$ --	\$	76,006
--	--	--		138,565
12,829	--	--		12,829
--	--	275		275
<u>12,829</u>	<u>67,481</u>	<u>275</u>		<u>227,675</u>
3,770	--	--		3,770
--	<u>113,173</u>	--		<u>113,173</u>
<u>3,770</u>	<u>113,173</u>	--		<u>116,943</u>
9,059	(45,692)	275		110,732
--	25,220	--		25,220
--	--	--	(146,886)
<u>--</u>	<u>25,220</u>	<u>--</u>	<u>(</u>	<u>121,666)</u>
9,059	(20,472)	275	(10,934)
--	(4,674)	26,880		23,006
<u>--</u>	<u>(4,674)</u>	<u>26,880</u>		<u>23,006</u>
<u>\$ 9,059</u>	<u>\$(25,146)</u>	<u>\$ 27,155</u>	<u>\$</u>	<u>12,072</u>
\$ --	\$ --	\$ 27,155	\$	27,155
--	(25,146)	--	(25,146)
<u>9,059</u>	<u>--</u>	<u>--</u>	<u>(</u>	<u>10,063</u>
<u>\$ 9,059</u>	<u>\$(25,146)</u>	<u>\$ 27,155</u>	<u>\$</u>	<u>12,072</u>

CITY OF CORNING, IOWA
SCHEDULE OF INDEBTEDNESS
Year ended June 30, 2015

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Debt:			
Transportation - Street	June 24, 2009	2.60-3.75%	\$ 500,000
CIPCO Rural Economic Development - Aquatic Center	August 24, 2008	0.00%	300,000
Adams County 28E Agreement - Aquatic Center	May 1, 2009	0.00%	378,000
2014 Fire Station Note	August 15, 2014	0.25-2.28%	200,000
2014 Fire Station Note - USDA	May 14, 2015	3.50%	500,000
2014 Fire Station Note - PCSB	July 15, 2014	3.50%	500,000
Total General Obligation Debt			
Revenue Bonds:			
Sewer	June 6, 2003	1.75%	3,075,000
Total Revenue Bonds			

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 295,000	\$ --	\$ 55,000	\$ 240,000	\$ 10,348	\$ 720
150,000	--	37,500	112,500	--	--
226,980	--	25,220	201,760	--	--
--	200,000	20,000	180,000	2,005	206
--	500,000	--	500,000	--	2,254
<u>--</u>	<u>500,000</u>	<u>500,000</u>	<u>--</u>	<u>7,823</u>	<u>--</u>
<u>\$ 671,980</u>	<u>\$1,200,000</u>	<u>\$ 637,720</u>	<u>\$ 1,234,260</u>	<u>\$ 20,176</u>	<u>\$ 3,180</u>
 <u>\$1,547,000</u>	 <u>\$ --</u>	 <u>\$ 141,000</u>	 <u>\$ 1,406,000</u>	 <u>\$ 27,073</u>	 <u>\$ 2,022</u>
<u>\$1,547,000</u>	<u>\$ --</u>	<u>\$ 141,000</u>	<u>\$ 1,406,000</u>	<u>\$ 27,073</u>	<u>\$ 2,022</u>

CITY OF CORNING, IOWA
BOND AND NOTE MATURITIES
June 30, 2015

Year ending June 30,	General Obligation Bonds					
	Transportation - Street		CIPCO - Rural		Adams County	
	Issued		Development Loan		28E Agreement	
	June 24, 2009		August 24, 2008		May 1, 2009	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2016	3.10%	\$ 55,000	0.00%	\$ 37,500	0.00%	\$ 25,220
2017	3.75%	60,000	0.00%	37,500	0.00%	25,220
2018	3.75%	60,000	0.00%	37,500	0.00%	25,220
2019	3.75%	65,000		--	0.00%	25,220
2020		--		--	0.00%	25,220
2021		--		--	0.00%	25,220
2022		--		--	0.00%	25,220
2023		--		--	0.00%	25,220
2024		--		--		--
2025		--		--		--
2026		--		--		--
2027		--		--		--
2028		--		--		--
2029		--		--		--
2030		--		--		--
2031		--		--		--
2032		--		--		--
2033		--		--		--
2034		--		--		--
2035		--		--		--
		<u>\$ 240,000</u>		<u>\$ 112,500</u>		<u>\$ 201,760</u>

See accompanying independent auditor's report.

General Obligation Bonds				Revenue Bonds	
2014 Fire Station Note		2014 Fire Station Note - USDA		Sewer Revenue Bonds	
Issued August 15, 2014		Issued May 14, 2015		Issued June 6, 2003	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
0.35%	\$ 20,000	3.50%	\$ 17,685	1.75%	\$ 144,000
0.60%	20,000	3.50%	18,304	1.75%	147,000
0.90%	20,000	3.50%	18,945	1.75%	150,000
1.20%	20,000	3.50%	19,608	1.75%	153,000
1.45%	20,000	3.50%	20,294	1.75%	156,000
1.65%	20,000	3.50%	21,004	1.75%	159,000
1.85%	20,000	3.50%	21,739	1.75%	162,000
2.09%	20,000	3.50%	22,500	1.75%	166,000
2.28%	20,000	3.50%	23,288	1.75%	169,000
--	--	3.50%	24,103	--	--
--	--	3.50%	24,946	--	--
--	--	3.50%	25,820	--	--
--	--	3.50%	26,723	--	--
--	--	3.50%	27,659	--	--
--	--	3.50%	28,627	--	--
--	--	3.50%	29,628	--	--
--	--	3.50%	30,665	--	--
--	--	3.50%	31,739	--	--
--	--	3.50%	32,850	--	--
--	--	3.50%	33,873	--	--
<u>\$ 180,000</u>		<u>\$ 500,000</u>		<u>\$1,406,000</u>	

CITY OF CORNING, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2015

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Rural Housing			
Development:			
Community Facilities Loans and			
Grants	10.780	108011	\$ 969,036
U.S. Department of Housing and Urban			
Development:			
Iowa Department of Economic			
Development:			
Community Development Block			
Grant Program	14.228	14-WS-043	<u>200,422</u>
Total indirect			<u>\$ 1,169,458</u>

Basis of Presentation -The Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Corning and is presented on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Corning, Iowa, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 29, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Corning's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Corning's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Corning's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Corning's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Honorable Mayor and
Members of the City Council

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: 15-II-A.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Corning's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Responses to Findings

The City of Corning's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Corning's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ben, Kyhan & P. C.

Atlantic, Iowa
March 29, 2016

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133

To the Honorable Mayor and
Members of the City Council

Report on Compliance for Each Major Federal Program

We have audited the City of Corning, Iowa's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Corning's major federal program for the year ended June 30, 2015. The City of Corning's major federal program is identified in Part I of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Corning's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Corning's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Corning's compliance.

To the Honorable Mayor and
Members of the City Council

Opinion on Each Major Federal Program

In our opinion, the City of Corning complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City of Corning is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Corning's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Corning's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Gmewoll, Ben, Kyhan & Co. P.C.

Atlantic, Iowa
March 29, 2016

CITY OF CORNING, IOWA
Schedule Of Findings And Questioned Costs
Year ended June 30, 2015

PART I: Summary of the Independent Auditor's Results

Financial Statements

- (a) Type of auditor's report issued:
- Unmodified and adverse opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Internal control over financial reporting:
- Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified? X yes none reported
- (c) Noncompliance material to financial statements noted? yes X no

Federal Awards

- (d) Internal control over major program:
- Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified? yes X none reported
- (e) Type of auditor's report issued on compliance for major program:
- Unmodified.
- (f) Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of the OMB Circular A-133? yes X no
- (g) Identification of major program:
- CFDA Number 10.780 - Community Facilities Loans and Grants
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- (i) Auditee qualified as low-risk auditee? yes X no

CITY OF CORNING, IOWA
Schedule Of Findings And Questioned Costs
Year ended June 30, 2015

PART II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

15-II-A Segregation of Duties: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. However, because there are a limited number of people that have the primary responsibility for the accounting and financial duties, those aspects of internal accounting control which rely upon an adequate segregation of duties are missing in the City.

Recommendation: We recommend that the City review its control procedures to obtain the maximum internal control possible under the circumstances and the Council be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: Since there is only one employee at city hall, it is difficult to segregate duties. Duties are segregated to the best of our ability.

Conclusion: Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

* * *

CITY OF CORNING, IOWA
Schedule Of Findings And Questioned Costs
Year ended June 30, 2015

PART III: Findings and Questioned Costs For Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

PART IV: Other Findings Related to Statutory Reporting

15-IV-A Certified Budget: Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the community and economic development, debt service and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation: The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response: The budget will be amended in the future, if applicable.

Conclusion: Response accepted.

15-IV-B Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

15-IV-C Travel Expense: No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

15-IV-D Business Transactions: In accordance with Chapter 362.5(10) of the Code of Iowa, no transactions between the City and the City officials and City employees were noted that represented conflicts of interest.

15-IV-E Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

CITY OF CORNING, IOWA
Schedule Of Findings And Questioned Costs
Year ended June 30, 2015

PART II: Other Findings Related to Statutory Reporting - Continued

15-IV-F Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not. City Council meeting minutes were not properly signed in accordance with Chapter 380.7 of the Code of Iowa.

Recommendation: The City should comply with Chapter 380.7 of the Code of Iowa and get proper signatures on the Council meeting minutes.

Response: We will comply with the Code requirements for proper signing of Council meeting minutes.

Conclusion: Response accepted.

15-IV-G Deposits and Investments: We noted no instances of non-compliance with the deposit provisions of Chapter 12C of the Code of Iowa. However, the City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation: The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Response: We will adopt a written investment policy that complies with Chapter 12B.10B within the next year.

Conclusion: Response accepted.

15-IV-H Revenue Bonds and Notes: No instances of non-compliance with the revenue bond and note resolutions were noted.

15-IV-I Financial Condition: The Employee Benefit Fund and Debt Service Fund had deficit balances of \$1,895 and \$25,146 at June 30, 2015.

Recommendation: The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response: The deficit will be reduced by increasing property tax levies in subsequent years.

Conclusion: Response accepted.

* * *